

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

Monroe Raw Water Intake Partnership
(a joint venture between the City of Monroe, Michigan and
Frenchtown Township, Michigan)

Financial Report
June 30, 2006

Monroe Raw Water Intake Partnership

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Independent Auditor's Report

To the Governing Body
Monroe Raw Water Intake Partnership
Monroe, Michigan

We have audited the basic financial statements of the Monroe Raw Water Intake Partnership (City of Monroe, Michigan) for the year ended June 30, 2006. These financial statements are the responsibility of the management of the Monroe Raw Water Intake Partnership. Our responsibility was to express an opinion on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monroe Raw Water Intake Partnership as of June 30, 2006 and the respective changes in financial position and cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

Plante & Moran, PLLC

September 22, 2006

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Monroe Raw Water Intake Partnership

Statement of Net Assets June 30, 2006

Assets

Current assets:

Cash (Note 2)	\$ 326,954
Accrued interest	1,181
Accounts receivable - City and Township	<u>45,235</u>

Total current assets 373,370

Capital assets - Net (Note 3) 5,210,228

Total assets 5,583,598

Liabilities - Current - Accounts payable 54,534

Net Assets

Invested in capital assets	5,210,228
Unrestricted	<u>318,836</u>

Total net assets \$ 5,529,064

Monroe Raw Water Intake Partnership

Statement of Changes in Net Assets Year Ended June 30, 2006

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenue			
Raw water billings:			
City of Monroe	\$ 274,973	\$ 269,207	\$ (5,766)
Frenchtown Township	84,350	79,920	(4,430)
Investment income	5,000	7,899	2,899
Total operating revenue	364,323	357,026	(7,297)
Operating Expenses			
Capital outlay	175,748	8,024	167,724
Electricity	125,436	133,724	(8,288)
Other utility costs	12,757	12,012	745
Labor and contractual	57,293	62,445	(5,152)
Operating supplies and chemicals	20,753	20,460	293
Equipment rental	1,858	1,608	250
Audit fees	4,520	4,520	-
Depreciation	124,803	106,336	18,467
Total operating expenses	523,168	349,129	174,039
Operating Income	(158,845)	7,897	166,742
Capital Contributions	-	193,377	193,377
Change in Net Assets	(158,845)	201,274	360,119
Net Assets - July 1, 2005	5,327,790	5,327,790	-
Net Assets - June 30, 2006	<u>\$ 5,168,945</u>	<u>\$ 5,529,064</u>	<u>\$ 360,119</u>

Monroe Raw Water Intake Partnership

Statement of Cash Flows Year Ended June 30, 2006

Cash Flows from Operating Activities

Cash received from customers	\$ 351,005
Cash paid to suppliers	(178,279)
Payments to employees	(62,445)
Other receipts/payments	<u>(125)</u>

Net cash provided by operating activities 110,156

Cash Flows from Capital and Related Financing Activities

Contribution of capital	193,377
Purchase of capital assets	<u>(240,774)</u>

Net cash used in capital and related
financing activities (47,397)

Net Increase in Cash and Cash Equivalents 62,759

Cash and Cash Equivalents - Beginning of year 264,195

Cash and Cash Equivalents - End of year \$ 326,954

Reconciliation of Operating Income to Net Cash from Operating Activities

Operating income	\$ 7,897
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation expense	106,336
Changes in assets and liabilities:	
Due from other governmental units	1,878
Prepays	870
Accounts payable	<u>(6,825)</u>

Net cash provided by operating activities \$ 110,156

Monroe Raw Water Intake Partnership

Notes to Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

The Monroe Raw Water Intake Partnership (the "Partnership") is a partnership between the City of Monroe and Frenchtown Township to provide the raw water intake and treatment that will be transmitted to the ultimate water customers by the two communities. The Partnership was constructed directly by the two communities. The Partnership is operated by the City of Monroe (the "City").

The accounting policies of the Partnership conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Basis of Accounting

The accrual basis of accounting is used by the Partnership.

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Fixed Assets - All fixed assets are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation on such fixed assets is charged as an expense against the operations of the proprietary funds on a straight-line basis.

Inventories - Inventories are not significant and therefore have been expensed when purchased.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Partnership has elected to comply with the City's investment policy.

Monroe Raw Water Intake Partnership

Notes to Financial Statements June 30, 2006

Note 2 - Deposits and Investments (Continued)

The Partnership's cash and investments are subject to the following type of risk:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Partnership's deposits may not be returned to it. The Partnership does not have a deposit policy for custodial credit risk. The Partnership's deposits are held at the same institutions as the City's deposits and they are commingled; therefore, the amount covered by federal depository insurance is undeterminable. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Capital Assets

A summary of the Partnership's fixed assets is as follows:

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Capital assets being depreciated:				
Water mains	\$ 3,296,709	\$ 47,397	\$ -	\$ 3,344,106
Buildings, additions, and improvements	<u>2,900,467</u>	<u>193,377</u>	<u>-</u>	<u>3,093,844</u>
Subtotal	6,197,176	240,774	-	6,437,950
Accumulated depreciation:				
Water mains	552,658	55,266	-	607,924
Buildings, additions, and improvements	<u>568,728</u>	<u>51,070</u>	<u>-</u>	<u>619,798</u>
Subtotal	<u>1,121,386</u>	<u>106,336</u>	<u>-</u>	<u>1,227,722</u>
Net capital assets	<u>\$ 5,075,790</u>	<u>\$ 134,438</u>	<u>\$ -</u>	<u>\$ 5,210,228</u>

Note 4 - Risk Management

The Partnership is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Partnership participates in the City's risk management program for workers' compensation, which is accounted for in the City's Internal Service Fund. The Partnership participates, in conjunction with the City, in the Michigan Municipal League Risk Pool for claims related to general liability.

Monroe Raw Water Intake Partnership

**Notes to Financial Statements
June 30, 2006**

Note 5 - Budget

The State's Budget Act does not require a formal budget to be adopted for Enterprise Funds. However, because of the contractual agreement between the two communities, an annual budget is adopted and is included in these financial statements for management control purposes.